

BILL # SB 1277

TITLE: schools; administrative paperwork; reduction

SPONSOR: Mead

STATUS: As Introduced

REQUESTED BY: Senate

PREPARED BY: Steve Schimpp

FISCAL ANALYSIS

Description

The bill would remove a 4% cap on the amount of Revenue Control Limit (RCL) monies that a district may carry forward into the next budget year. It also would reduce school district reporting requirements.

Estimated Impact

The JLBC Staff estimates that the bill would increase Department of Education Homeowner's Rebate costs by \$125,000 annually beginning in FY 2006. We estimate that school property tax collections in FY 2006 would be \$2.6 million higher under the bill than under current law. Any increase in local primary property taxes for schools increases Homeowner's Rebate costs because those "rebates" are based on a percentage of homeowners' school property taxes.

The Arizona Department of Education (ADE) does not have a fiscal impact estimate for the bill.

Analysis

A.R.S. § 15-943.01 currently permits a school district to carry forward into the next budget year Maintenance and Operation (M&O) budget capacity equal to 4% of its RCL for the current budget year. For FY 2003 (last available data), districts collectively carried forward \$54 million of M&O budget capacity, which equaled about 1.7% of their total RCL funding from FY 2002.

Approximately 30 school districts had unexpended M&O budget capacity in FY 2003 that exceeded 4% of their RCL. As a result, these districts collectively were required to "refund" about \$2.6 million to taxpayers by collecting \$2.6 million less in local property taxes in FY 2004 than they would have without the prior year "surplus." We estimate that this \$2.6 million "refund" reduced Homeowner's Rebate costs by about \$125,000 in the current year.

Apart from the bill, we assume that M&O budget capacity "refunds" would remain at \$2.6 million for FY 2005. This implies (based on our FY 2004 estimates) that Homeowner's Rebate costs in FY 2006 would be \$125,000 higher under the bill than under current law.

Local Government Impact

Based on FY 2003 data, we estimate that school property tax collections in FY 2006 would be \$2.6 million higher under the bill than under current law

The bill potentially would reduce local costs for generating state-mandated reports, which would free up resources within existing school budgets. This would not affect state or local funding to school districts, however, because current law does not provide separate funding for state-mandated reports.

In addition, the bill potentially would increase spending efficiency in school districts by removing the incentive to spend money at the end of each fiscal year.